GOVERNEMNT OF ANDHRA PRADESH
ABSTRACT

Tourism Development -Andhra Pradesh Land Lease Policy for Tourism Projects, 2016-Orders-Issued.

YOUTH ADVANCEMENT, TOURISM AND CULTURE(T) DEPARTMENT

G.O.Ms.No.5 Date:03.06.2016.
Read:

G.O.Ms.No.9, YAT&C(T) Dept. Dt. 12.06.2015.

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O R D E R:

In the reference read above, Government have notified A.P. Tourism Policy 2015-20 with a view to facilitate for setting up of Tourism Projects in the State at an accelerated pace.

2. The "Andhra Pradesh Tourism Policy, 2015-20" already provides for development of tourism infrastructure projects through Public Private Partnership (PPP) mode. Based on the experience of projects implementation in the tourism sector in the State and industry feedback, it is felt that the allocation of Government lands for development of tourism infrastructure projects needs to be simplified for certain Tourism projects due to their nature and their relatively smaller size and accordingly, Tourism Policy supplemented .

3. The Government, after careful consideration and detailed examination of issues connected to lease of land for Tourism Projects, hereby, approve and notify the " Land Lease Policy for Tourism Projects, 2016" as appended to this order, duly supplementing the provisions contained in the A.P. Tourism Policy, 2015-20.

4. The Policy will come into operation from the date of issue of this order and shall remain in force up to 31-03-2020.

5 . All the concerned shall take appropriate action to implement the provisions made in the " Land Lease Policy for Tourism Projects, 2016" following due process.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

NEERABH KUMAR PRASAD
PRINCIPAL SECRETARY TO GOVERNMENT

To:
The Special Chief Secretary & Chief Commissioner of Land Administration, AP, Hyderabad
The Principal Secretary to Government, Revenue Department
The Commissioner, Dept. of Tourism, AP, Hyderabad
The Vice-Chairman & Managing Director, AP Tourism Development Corporation Ltd., Hyderabad
All the Regional Director, A.P. Tourism and E.D. APTDC in the State
All the District Collectors in the State of Andhra Pradesh
The Commissioner, CRDA, Vijayawada.

PTO

The Vice-Chairman, Visakhapatnam Urban Development Authority, Visakhapatnam
The Vice-Chairman, Tirupati Urban Development Authority, Tirupati
The Commissioner, Printing & Stationary, A.P., Hyderabad (with a request to publish in A.P. Gazette and supply 500 copies)
Copy to:
The Special Chief Secretary to Governor, Raj Bhawan, A.P., Hyderabad
The P.S. to Prl. Secretary to Chief Minister.
The P.S. to Chief Secretary to Government
All Private Secretaries to the Ministers
The Principal Finance Secretary to Government
All the Special Chief Secretaries/Principal Secretaries/Secretaries to the Government
All Heads of Departments
The Accountant General, A.P., Hyderabad.
The Pay & Accounts Officer, A.P., Hyderabad .
The Deputy Pay & Accounts Officer, A.P., Hyderabad .
All Sections in the Department
GA(Cabinet) Department with reference to Counsel Resolution No. 427 of 2016)

// FORWARDED BY ::ORDER//

SECTION OFFICER

GOVERNMENT OF ANDHRA PRADESH

LAND LEASE POLICY FOR TOURISM PROJECTS, 2016

1. **Short Title**

   This policy, which is called "Land Lease Policy for Tourism Projects, 2016", herein after is titled as the LLP-TP and shall include any alterations, amendments or modifications hereto from time to time

2. **Objective**

   2.1. Tourism sector in Andhra Pradesh is on a fast track of development and needs to be aided through rapid development of tourism infrastructure which includes hotels, resorts, MICE, wayside amenities, amusement parks, wellness resorts etc.

   2.2. Andhra Pradesh Tourism Policy 2015-20 already provides for development of tourism infrastructure projects through PPP mode. Andhra Pradesh Tourism Policy 2015-20, vide Para 3.3.2 “Allotment of land for PPP projects”, stipulates the role of the Government in this regard and the various interventions for the same. The same was notified vide G.O. MS No. 9 dated 12.06.2015

   2.3. Based on the experience of PPP projects undertaken in the tourism sector in the State and the industry feedback, it is felt that the existing PPP model for allocation of Government lands for development of infrastructure needs to be improved and supplemented for certain Tourism projects due to their nature and their relatively smaller size

   2.4. Hence, this land lease policy is proposed for certain Tourism Projects.

3. **Applicability**

   3.1. The Land Lease Policy for Tourism Projects, 2016 is a supplement to the existing Andhra Pradesh Tourism Policy 2015-20, as notified vide G.O. MS No. 9 dated 12.06.2015.

3.2. It shall be applicable to allotment of Government lands for any of the following tourism projects:

S. No.	Type of Tourism Project	Maximum extent of land
a	Hotels (Three-Star or above category hotels as per guidelines of Ministry of Tourism, Government of India)	Upto 5 Ac
b	Resorts, including beach resorts, jungle resorts, hill resorts etc. (Three-Star or above category hotels as per guidelines of Ministry of Tourism, Government of India)	Upto 10 Ac
c	MICE Centers	Upto 10 Ac
d	Wayside amenities	1 Ac – 3 Ac
e	Other Tourism projects, as decided by the Government	Upto 10 Ac

- *To be eligible, the project needs to be a new Tourism Infrastructure Project and compliant with the definitions and minimum requirements as prescribed in Section 8.2 of Andhra Pradesh Tourism Policy 2015-20*

3.3. Notwithstanding anything contained in this policy, the Government can also make allotment of land for any Tourism Project or any hotel chain (having 3 star and above chain of hotels), as per the provisions in the general Government Orders on land allotment issued by Revenue Department (G.O. Ms 571 of Revenue Department dated 14.09.2012 or any amendments/ changes thereof)

4. Bidding process under land lease policy for tourism projects

4.1. A transparent bidding process shall be undertaken to select a developer for the various projects identified in Para 3.2

4.2. The process of bidding will be conducted by the Department on its own or it may authorize any corporation or any authority or any other agency for conduct of the bidding process.

4.3. Any Government Authority/ Corporation/ Body can also adopt this policy for the Tourism Projects as mentioned in para 3.2.

4.4. The basic principles of the land lease policy have been elaborated in the following paras

5. Project conceptualization and bid preparation

5.1. Project Objectives

5.1.1. Each project will have specific measurable goals ("Minimum Development Obligations") which the developer should achieve within the specified time frame.

5.1.2. Project may also have quality related goals ("Minimum Service Obligations") which, the unit once operationalized, should establish and maintain

5.1.3. The successful bidder/ Developer, may at its own discretion, implement components over and above the minimum development obligations and minimum service obligations

5.2. Project Profile

5.2.1. Normally for PPP projects, feasibility studies are conducted to establish the viability of a project based on the project capital cost, operating costs, taxation, depreciation, demand patterns, user charges and interest rates. However, in these projects, due to their nature and relatively small size, a brief project profile will be prepared and included in the bid document.

5.2.2. Project profile, would typically contain, the land location, land details, distances from important landmarks, the estimated project cost, Minimum Development Obligations, Minimum Service Obligations and other such details

5.2.3. The project cost will be estimated by the Department using the engineering wing of APTDC or any other Government agency or

by engaging consultants. The project cost would include only the construction cost to meet the Minimum Development and Service Obligations

5.2.4. Appropriate implementation milestones along with implementation period shall be defined in the bid document.

6. Eligibility to bid

6.1. Bid Structure

6.1.1. A bidder can participate as a sole bidder or in consortium where the number of consortium members do not exceed two. The details of various bid structure models and terms & conditions thereof will be as per Annexure I

6.1.2. It shall be compulsory for the successful bidder/s to form a Special Purpose Company (SPC)/ Special Purpose Vehicle (SPV) for the project. The equity contribution conditions and other conditions pertaining to Special Purpose Company (SPC)/ Special Purpose Vehicle (SPV) formed by the bidder for development and implementation of the project will be as per Annexure II.

6.1.3. The Special Purpose Company (SPC)/ Special Purpose Vehicle (SPV) for the project shall be **"The Developer"** of the project and shall enter into the necessary Lease and Development Agreement etc.

6.1.4. Any Loan or financial assistance raised in the name of the SPC/ SPV shall be used exclusively for the project and cannot be transferred to any other entity.

6.1.5. Any Loan or financial assistance raised in the name of the SPC/ SPV shall have to be mandatorily cleared before the tenure of land lease expires.

6.2. Eligibility Requirements

6.2.1. To ensure that a financially sound and technically competent bidder is awarded the project, the technical experience and financial parameters of all bidders will be evaluated against the minimum eligibility requirements

6.2.2. The minimum requirements to evaluate technical experience and financial capacity of the bidders will be as per Annexure I of this document

7. Bidding Process and Signing of Development and Lease Agreement

7.1. Minimum number of bids

7.1.1. As part of the bidding process, it is proposed that the bidders be given up to 30 days to respond. In case, less than two bids are received, the last date of submission be extended by up to another 30 days. An advertisement for the same shall also be given while retaining the received bid.

7.1.2. If after the second call also the number of bids received are less than two, the department would proceed with bid evaluations of the bids received leading to identification of successful bidder

7.2. Bid Evaluation Process

7.2.1. The bids received shall be first evaluated for compliance to technical and financial eligibility requirements.

7.2.2. The financial proposals of technically and financially eligible bidders shall be opened to identify the successful bidder.

7.3. Treatment of Tie

7.3.1. The Government of Andhra Pradesh shall identify the successful bidder by asking the tied Bidders to provide their best and final offer in sealed covers which shall be opened on a specified date

7.3.2. The Bidder offering the most advantageous final offer shall be adjudged the winner.

7.3.3. If the successful bidder is not finalized based on the above approach, an aggregate experience score shall be calculated for all bidders using a common methodology. The bidder with highest score shall be declared as the successful bidder.

7.3.4. If tie persists, the successful bidder shall be selected by draw of lots, which shall be conducted with prior notice, in the presence of tied bidders who choose to attend.

7.4. Bid Parameter

7.4.1. For the purpose of this policy, the bid parameter will be the annual land lease amount quoted by the bidders.

7.4.2. In accordance with Andhra Pradesh Tourism Policy 2015-20, the annual lease rent fixed for tourism projects is equal to 2% of the basic market value of the land. The bid document will fix floor price equal to 2% of the basic market value of the land ("Upset Price").

7.4.3. Bidder quoting highest annual land lease rent (to be quoted in INR) shall be awarded the project.

7.5. Project Development Fee

Successful bidder will have to pay a non-refundable project development fee equal to 1% of the estimated project value, subject to a maximum of INR 50 lacs. This will be payable along with the performance bank guarantee.

7.6. Performance Bank Guarantee

7.6.1. A Performance Bank Guarantee is a collateral taken from the successful bidder to ensure completion of project as per bid conditions, failing which the performance bank guarantee is invoked.

7.6.2. For the projects undertaken under this policy, the performance bank guarantee will be 2.5% of the estimated project cost

7.6.3. Successful bidder, upon receipt of Letter of Intent, shall furnish a performance bank guarantee as mentioned in the bid document. The same shall be submitted before the signing of development and lease agreement

8. Conditions of Lease

8.1. Annual Lease Amount

Annual Lease amount will be amount quoted by the successful bidder in their financial proposal

8.2. Annual Escalation

As per Andhra Pradesh Tourism Policy 2015-20, the annual lease, as quoted by the successful bidder, shall be escalated by 5% every year

8.3. Payment and Tenure of Land Lease

8.3.1. The land lease would begin from the date possession of land is handed over to the successful bidder/ developer

8.3.2. The developer should take timely possession of land on receiving the invitation. If the successful bidder fails to take possession of land, the process may be terminated and EMD/ performance guarantee forfeited

8.3.3. The land lease shall be payable in advance on quarterly basis

8.3.4. Tenure of land lease would be upto 33 years

8.3.5. Where the developer has complied with all the terms and conditions of the development and lease agreement, they shall be eligible for an automatic extension. The terms of the next lease will be determined by the policy prevailing at that point of time.

8.3.6. The land shall be handed to the developer on as-is, where-is basis and any changes in the site extent or conditions will not be considered.

8.4. Conditional Land Lease

8.4.1. The land lease deed, part of the development and lease agreement signed with the successful bidder/ developer, shall be conditional subject to:

a. Meeting the implementation milestones (as defined in the bid document)
b. Meeting all the Minimum Development Obligations, as mentioned in the bid document, and achieving commercial operations within the implementation period
c. Maintenance of Minimum Service Obligations during the operations period, as specified in the bid document
d. All other terms & conditions of this policy and the respective bid document

8.4.2. It is also important that the leased land is used only for the purpose for which it has been leased and not for any other purpose. Any change, arising out of statutory or legal requirements, shall be only after express, written consent of the Government. Non-compliance to above would give the Department the right to cancel the conditional land lease.

8.4.3. In case of default in maintenance of Minimum Service Obligations, Government of Andhra Pradesh may give grace period/ cure period upon expiry of which the conditional land lease would stand automatically cancelled

8.4.4. Consequences of Cancellation of Conditional Land Lease Deed/ cancellation of development and lease agreement:

8.4.4.1. In case of cancellation, the Government shall resume the possession of land from immediate effect including any asset/s, construction etc. on the land

8.4.4.2. The Government shall not be liable for any type of compensation to the developer

8.4.4.3. The Government may also invoke the Performance Bank Guarantee of the developer

8.5. Transfer of Lease

The leased land cannot be alienated/ transferred/ sub-leased/ sold/ mortgaged, in part or full, to any third party.

8.6. Mortgage

8.6.1. The Developer may mortgage its lease hold rights only after sending written communication of the same to the Government.

8.6.2. However, under no circumstances can a developer mortgage the land leased to it

9. Provision for Incentives

The specific incentives applicable for each project shall be as per Andhra Pradesh Tourism Policy 2015-20

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Annexure I: Eligibility Criteria of Bidders

I. Bid Structuring and Consortium Conditions

1) The bid shall be submitted by a sole bidder or by a consortium, where the number of consortium members do not exceed two entities.
2) In case of sole bidder, the sole bidder shall have to meet the technical and financial eligibility requirements
3) In case of consortium, the consortium members shall together meet the technical and financial eligibility requirements AND also satisfy the technical and financial eligibility requirements through any one of the below mentioned models:
    a. The lead member of the bidder consortium shall qualify the financial eligibility requirement and the other member of consortium shall qualify the technical eligibility requirement mentioned in the bid document, **OR**
    b. The lead member shall qualify(minimum) 50% of the financial eligibility requirement and other member shall qualify (minimum) 50% of the technical eligibility requirement

II. Technical and Financial Eligibility Requirements of Bidders

a) Technical Eligibility Requirements

The bidder shall have development or construction experience in executing projects ("eligible project") worth twice the estimated project cost.

- ✓ All the eligible projects shall have been executed in past five years from the date of issue of bid document
- ✓ Only such projects are considered eligible where the project cost is at least 20% of the estimated project cost (which shall be defined for each project).

Special consideration for technical capacity of bidder:

- ✓ Bid Document shall clearly define “eligible projects”.
- ✓ In case of projects where “core sector” experience is considered as part of eligible projects, then core sector shall also be defined in the Bid Document. In such cases, not more than 50% of the criteria can be met through projects from “core sector”. For e.g. for a Hotel cum convention center project, if core sector is included in eligible projects then at least 50% of criteria for project experience should be met through hotels, MICE, resorts etc. projects where as rest can be met through core sector projects such as road etc.

b) Financial Eligibility Requirements

Minimum Net-worth of the sole bidders/ lead member should be at least one-fourth of the estimated project cost. The net worth should be certified by the statutory auditor/ CA Certificate of the bidder.

Special consideration for financial capacity of the bidder:

In case of projects where the financial capacity of the bidder needs to be further evaluated the following conditions may also be utilized:

- ➢ Minimum annual turnover of the sole bidder / lead member should be at least 25% of the estimated project cost
- ➢ The bidder should not have incurred loss during last three years. This should be certified by the statutory auditor/ CA Certificate of the bidder.

Annexure II: Equity Contribution in Special Purpose Company (SPC)/ Special Purpose Vehicle (SPV)

a. Lock-In Period: For the purpose of this policy, Lock-In period shall be defined as a period of two years post Commercial Date of Operations (COD). Commercial Date of Operations is the date on which the project is open to tourists on a commercial basis, after due testing, trial running and commissioning

b. In case of sole bidder, it shall retain minimum of 51% as equity contribution in the SPC/ SPV throughout the lock-in period

c. In the SPC/ SPV formed by the consortium of two members, the total equity contribution put together by both the consortium members shall not be less than 51% throughout the lock-in period.

d. Further, in the SPC/ SPV formed by the consortium of two members, the equity contribution from lead member of the consortium shall not be less than 26% throughout the lock in period and equity contribution from second member of the consortium shall not be less than 10% throughout the lock in period.

NEERABH KUMAR PRASAD
PRINCIPAL SECRETARY TO GOVERNMENT